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State Dept. review completed

WANG 0820A

MEMORANDUM FOR: THE PRESIDENT

From: George P Shultz

Subject: The Middle East Peace Process: Moving Ahead

We have reached a critical, historic moment for the U.S. in the Middle East. Israel's invasion of Lebanon has done serious damage to our interests and if Israel assaults West Beirut, or resists early withdrawal, even graver damage will result. How Lebanon evolves will effect what we will be doing in the peace process, now the central issue in the region. We must assure that there is no assault on Beirut, that there is an early date certain for Israeli withdrawal from the country and that Israel does not put its heavy-handed stamp on Lebanon in the south or in the elections. We can use Israel's increased security in the north and the reduced PLO threat in the occupied territories to justify our need for more forthcoming Israeli peace policies.

The Stakes

Dealing with the peace process in new ways, even within the Camp David framework as described here, will have loud political reverberations both at home and abroad. In addition to the states of the region, our European allies, Japan, other Muslim states, and the Soviets are to various degrees worried about historic and recent developments and critical of our past inability to "control" Israel.

Domestically, the policy approach I propose here will

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be controversial, if only because it involves changes in areas where each word and phrase carry enormous historical and political baggage. The timing of events in Lebanon will not permit the luxury of unfolding the architecture of new policies until after the November elections. Thus, we must face squarely the fact that consultation with the Congress, a plan to develop bipartisan domestic support, careful backgrounding of the press, and clear and forceful public articulation of our new approach will take a great deal of your time and will be hotly debated. In my judgment they will also be necessary and in the long -- and perhaps short -- run will redound to your credit for having the courage and wisdom to address squarely and fairly an intransigent problem which has been far too long on the international agenda.

U.S. Objectives:

Until April 25 of this year our first objective in the peace process was the return of the Sinai -- movement or moves relating to the Palestinians in the Camp David context was subordinated to this objective. After the Sinai return our focus became achieving an autonomy agreement which led us to the critical need to expand participation in the negotiations. In the light of Lebanon, our objectives are similar although necessarily somewhat more complex. We seek, through the peace process, to:

-- To remove the Palestinian issue as a threat to Israeli security, as a source of instability within the Arab states and as an opening for Soviet influence in the region;

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-- To convince all parties to the dispute that the U.S. remains relevant to the protection of their vital interests and the only outside force capable of playing a constructive role in the area;

-- Stimulate debate in Israel and domestically on Israel's requirements in the peace process in order to achieve greater Israeli flexibility on the ground and in negotiations; and

-- In order to fulfill the above objectives, seek to negotiate a transitional arrangement of full autonomy for the West Bank and Gaza as soon as possible this year.

U.S. Approach

Assuming for the moment that we can advance our Lebanon policy, the following analysis would produce a peace process policy with the following main elements:

-- Establishing a new U.S. posture toward the peace process, within Camp David, putting Israel on notice on key issues while rebuilding Arab confidence in our intentions;

-- Simultaneously, using our new posture to move the Jordanians and Palestinians into the process, before the end of this year;

-- Then, on the basis of Jordanian/Palestinian acceptance of the process, press Israel toward a meaningful autonomy and soon thereafter into negotiations for a comprehensive peace through the final status negotiations.

As a practical matter, we cannot return to the negotiating table soon because our other Camp David partner, Egypt, will not do so until, at least, Israel has agreed to

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a date for its full withdrawal. Mubarak may very well want to wait until Israel is actually out of Lebanon entirely. Moreover, we may learn that Egypt is only prepared to reengage with us under terms acceptable to the Saudis, King Hussein and the PLO.

In any event, we will need some time to prepare our return to actual negotiation with any hope of success since we must restore our own credibility as honest managers of a peace process which is seen by the Arabs as no more than a cover for Israel's not-so-gradual absorption of the occupied territories.

Now, our moves to restore credibility on the Arab side will dictate the Middle East agenda, rather than letting Begin do it as in the past. We will do this by talking about our view of the peace process -- both its transitional phase and final outcome -- in different, more specific ways which challenge Israel's very narrow views. Camp David is flexible enough to permit this and since we have let Israel's interpretations of it go unchallenged by us in public, we can give the process a very new look without going beyond our interpretation of Camp David, though Israel of course may accuse us of "violating" the agreement.

Our goal over the next few months will be to convince the Arabs to support us in creating "another Sadat" to come to the table. That person can only be King Hussein. He will have to have Egyptian, Palestinian and Saudi support, as well as a clear idea of what the U.S. will and will not support in negotiations in both the transitional and final

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phases. Also, we may have to work to bring the PLO to meet our conditions in order give Hussein and our other Arab friends adequate political cover for engaging with Israel. Begin's Government will never agree to sit with the PLO, but if we engaged with the PLO this would permit non-PLO Palestinians and Jordan to negotiate.

The following sections elaborate on how we would pursue each of these elements, and on how we would handle Israel as we proceed. We can do all this under the Camp David framework, but we recognize that Israeli action in Lebanon could force us to do it in a more compressed time period than we would prefer, and perhaps to go beyond to lay out our views even more fully to save our regional position. Even in extremis, however, we will want to resist Arab pressure to abandon Camp David because to do so would releast Israel from its commitments on the Palestinian issue and we could spend the next two years trying to regain the ground lost.

Restoring Credibility

The entire thrust of Camp David, and of UNSC Resolution 242, is to withdraw Israeli control of the territories occupied in 1967, together with security guarantees and formal peace treaties for Israel. The basic equation of 242 is a "peace-for-territory" exchange. Over the years, our efforts on Israel's behalf have been to assure that legitimate Israeli security concerns are not compromised when this exchange is made with any Arab country. Israel under Begin has used our real concern for

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Israeli security as cover to pursue nationalist/religious goals by arguing that keeping all the West Bank, Gaza and the Golan Heights is essential for security. From this, Begin derives his position that autonomy is for people, not land, and that the withdrawal clause of Resolution 242 has been fully met by Israel's withdrawal from the Sinai, and there need be no more.

These Israeli positions make final peace impossible; they drive the Palestinians away from acceptance of a transitional period because they see such a period as an Israeli device to advance these positions, a perception which Begin encourages. Peace requires squaring Israel's essential security concerns -- not its nationalist "wish list" -- with the Palestinians' rights, which must be a territorial share of Palestine at some point, and in some form.

Keeping in mind our leadership role and the limits of Camp David and 242, we would move to restore credibility in the process by emphasizing U.S. views of what peace will require. For example, we would begin to use publicly the points you already have made privately to President Mubarak, King Hussein and President Mitterand:

On Autonomy

-- Despite Israeli statements, the transitional autonomy period is not an end in itself; it is a way station on the road to -- not a substitute for a comprehensive peace.

-- Our view of full autonomy is neither a cover for the continuation of Israeli occupation policies nor an

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attempt to prejudge final status negotiations in Israel's favor.

-- An autonomous Palestinian regime should have control over unused public lands and control of access to adequate water resources.

-- There must be a role in autonomy for the Palestinian Arabs of East Jerusalem.

-- That Israeli policies of settlements and political suppression are contrary to the intent of Camp David and make peace more difficult to achieve.

-- That Israeli actions, such as annexation, are not acceptable; such unilateral moves cannot prejudge final outcome.

On Final Peace

-- Emphasize that Camp David is based on 242, which calls for termination of belligerency, secure and recognized boundaries and withdrawal and that Camp David adds formal recognition of the legitimate rights of the Palestinians.

-- Make clear that these principles apply to peace between Israel and each of its Arab neighbors.

-- Point out that the precise definition of these principles must be determined in negotiations which should begin as soon as possible after the transitional regime is in place -- the sooner the better.

-- Begin to challenge publicly the Israeli thesis that only control of territory brings security; point out the alternatives -- supervised demilitarization, technology, outside guarantees and, of course, a border which no one has

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a motive to violate.

-- Reiterate that at some point, the final status of Jerusalem must be negotiated, not unilaterally imposed.

Bringing Jordan In

As we change the image of the U.S. approach to the peace process, we will have a better chance to discuss with our Arabs friends what their needs will be in order to engage through King Hussein. First, we will need to keep in mind that the Jordanians cannot be brought into the process through tradeoffs in other areas of our relationship, such as arms sales. These may be marginally useful but our experience since Camp David has shown that for the Jordanians, as for the Palestinians and the Israelis, the issues involved in the peace process are of such vital national interest to them that such tradeoffs will not be possible.

Our willingness to speak much more specifically about our positions on the issues will encourage the Arabs in the right direction but will not be enough to permit Hussein to join negotiations. And, without Jordanian (and, ultimately, Syrian) willingness to engage directly with Israel, the Israelis will argue that they cannot make concessions to the Palestinians of the West Bank without endangering the security of their "eastern front". Were we to press them on this in the absence of a breakthrough on the Arab side, there would be a storm of protest that the Administration was endangering Israel's existence.

We cannot fully engage the Jordanians unless the

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Saudis, Egyptians and Palestinians support a role for Hussein. The 1974 Arab summit gave the PLO the sole right to speak for the Palestinians. Hussein would not necessarily need an Arab summit mandate to engage but he would probably need PLO agreement. This will not be forthcoming unless the PLO knows in advance, first, that Hussein would seek an outcome the Palestinians could live with and, second, that the U.S. would support such an outcome. This means self-determination at some point, whether at the end of the Camp David transitional period or, perhaps, after a later period of Jordanian-West Bank federation. At this point, I believe that only by bringing the moderate PLO leadership into contact with us -- through our conditions -- can we secure the breakthrough which would enable the Saudis and other moderate Arabs to support Hussein in engaging directly with Israel. Hussein himself will need to be convinced that we will not try to use him to legitimize perpetual Israeli occupation or otherwise "sell out" the Palestinians. In any event, he will have to be assured of a mechanism which included ratification by the Palestinians of any agreement. He would also have to be convinced we agreed that new agreements on the final status of Jerusalem would be on the agenda, even if at a future time.

The Israelis

We will face the strongest imaginable Israeli opposition to our course. The present Israeli leadership is fanatic in its desire to keep permanent control of the West

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Bank, Gaza and the Golan Heights. Nevertheless, significant dissent in Israel begins to appear when the costs or means of achieving a goal begin to seem excessive to many Israelis. Begin will argue that we are going beyond Camp David and he may well retaliate with a tougher attitude in Lebanon and probably with some actions in the occupied territories, even perhaps annexation. His support base here will stick with him, though we expect that some leaders of the Jewish community will join the majority of American opinion leaders in strongly supporting a U.S. policy which promises to bring Arabs other than Egypt, including the PLO, to recognize Israel and negotiate with it.

Our posture through this period would be one in which we:

- stress our continuing commitment to Israel's essential security needs and concerns;
- repeat often our belief that our approach toward autonomy and final peace is the only one which can assure Israel's long-term security because it is the only one which can bring real peace to Israelis and Palestinians alike;
- emphasize our belief that bringing the other Arabs, including the PLO, to accept Israel is in Israel's longterm security interests;
- support those elements of Israel's positions with which we agree.

We will need to orchestrate our public posture carefully, and build broad bipartisan support for our policies, in order to get beyond the first blasts of Israeli

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opposition and into that period, which always comes when we and Israel disagree, when Israeli and American Jewish analysts and columnists begin to see that the U.S. position has at least some merit and the Israeli position some weaknesses. Once this ferment begins among Israelis, we will be able to proceed more productively in our dialogue with them.

Conclusion

Here are the major themes for your decision:

-- That we give the highest priority to an invigorated peace process, remaining within the broad outline of the Camp David Framework, but on the basis of articulated U.S. interpretations;

-- That we undertake as our immediate objective in the Arab world to bring Arab and Palestinian moderates to accept UNSC Resolution 242 and Israel's right to exist;

-- That in Israel we reiterate our bedrock support for a strong and democratic Israel, but work to stimulate a definition of her needs and interests congruent with ours.

If you approve these general policy departures, we would proceed to develop a detailed game plan for your review.